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SANCTIONS FOR NON-COMPLIANCE WITH MINIMUM CAPITAL REQUIREMENTS

BSP CIRCULAR NO. 176, September 07, 1998

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Pursuant to Monetary Board Resolution No. 1266 dated September 2, 1998, the following sanctions for non-compliance with minimum capital requirements are hereby prescribed:

Monetary Penalty:

For delayed or non-submission of the capital build-up program reckoned from the time the bank was notified in writing up to the time program has been submitted per banking day of delay, a monetary penalty of:

Type of Bank Amount of Penalty

Expanded & Non-Expanded Commercial Banks P 10,000.00

Thrift Banks P 5,000.00

Rural Banks P 1,000.00

Non-Monetary Penalty:

Non-monetary penalties shall depend on the degree of capital deficiency incurred by the bank, as follows:

For COMMERCIAL BANKS:

% of Capital Deficiency Penalty

Up to 20% - Suspension of authority to invest in non-allied undertakings (for EKBs only)

- Suspension of authority to invest in allied undertakings

- Suspension of securities and dealership functions (for EKBs only)

- Suspension of branching privileges

- Suspension of declaration of cash dividends

Up to 40% - Suspension of authority to invest in non-allied undertakings (for EKBs only)

- Suspension of authority to invest in allied undertakings

- Suspension of securities and dealership functions (for EKBs only)

- Suspension of branching privileges

- Suspension of declaration of cash dividends

- Restrictions on overall loan growth/investments (new loans to the extent of collections only)

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- Restrictions on lending affiliates

- Denial of access to BSP rediscounting facilities

- Suspension of authority to accept or handle government deposits

Up to 60% - Suspension of authority to invest in non-allied undertakings (for EKBs only)

- Suspension of authority to invest in allied undertakings

- Suspension of securities and dealership functions (for EKBs only)

- Suspension of branching privileges

- Suspension of declaration of cash dividends

- Restrictions on overall loan growth/investments (new loans to the extent of collections only)

- Restrictions on lending affiliates

- Denial of access to BSP rediscounting facilities

- Suspension of authority to accept or handle government deposits

- Suspension of authority to engage in quasi-banking activities

- Suspension of authority to engage in derivative activities

- Suspension of FCDU/EFCDU activities

- Suspension of trust operations

Up to 80% - Suspension of authority to invest in non-allied undertakings (for EKBs only)

- Suspension of authority to invest in allied undertakings

- Suspension of securities and dealership functions (for EKBs only)

- Suspension of branching privileges

- Suspension of declaration of cash dividends

- Denial of access to BSP rediscounting facilities

- Suspension of authority to accept or handle government deposits

- Suspension of authority to engage in quasi-banking activities

- Suspension of authority to engage in derivative activities

- Suspension of FCDU/EFCDU activities

- Suspension of trust operations

- Suspension of international banking activities

- Suspension of lending activities

More than 80% - Suspension of clearing privileges

- Suspension of granting of bonuses/profit-sharing not covered by existing contracts or By-Laws

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- Cease and desist

For THRIFT BANKS

% of Capital Deficiency

Penalty

Up to 20%

- Suspension of branching privileges

- Suspension of declaration of cash dividends

Up to 40%

- Suspension of branching privileges

- Suspension of declaration of cash dividends

- Restrictions on overall loan growth/investments (new loans to the extent of collections only)

- Restrictions on lending to affiliates

- Denial of access to BSP rediscounting facilities

- Suspension of authority to accept or create demand deposits or operate NOW accounts

- Suspension of authority to accept government deposits

Up to 60%

- Suspension of branching privileges

- Suspension of declaration of cash dividends

- Restrictions on overall loan growth/investments (new loans to the extent of collections only)

- Restrictions on lending to affiliates

- Denial of access to BSP rediscounting facilities

- Suspension of authority to accept or create demand deposits or operate NOW accounts

- Suspension of authority to accept government deposits

- Suspension of authority to engage in quasi-banking activities

- Suspension of FCDU activities

- Suspension of authority to invest in allied undertakings

- Suspension of trust operations

Up to 80%

- Suspension of branching privileges

- Suspension of declaration of cash dividends

- Denial of access to BSP rediscounting facilities

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- Suspension of authority to accept or create demand deposits or operate NOW accounts

- Suspension of authority to accept government deposits

- Suspension of authority to engage in quasi-banking activities

- Suspension of FCDU activities

- Suspension of authority to invest in allied undertakings

- Suspension of trust operations

- Suspension of lending activities

- Suspension of issuance of domestic LCs

More than 80%

- Suspension of clearing privileges

- Suspension of granting of bonuses/profit-sharing not covered by existing contracts or By-Laws

- Cease and desist

For RURAL BANKS

Up to 20 % - Suspension of branching privileges

- Suspension of declaration of cash dividends

Up to 40% - Suspension of branching privileges

- Suspension of declaration of cash dividends

- Restrictions on overall loan growth/investments (new loans to the extent of collections only)

- Denial of access to BSP rediscounting facilities

- Suspension of authority to accept or create demand deposits or operate NOW accounts

- Suspension of authority to accept government deposits

Up to 60% - Suspension of branching privileges

- Suspension of declaration of cash dividends

- Restrictions on overall loan growth/investments (new loans to the extent of collections only)

- Denial of access to BSP rediscounting facilities

- Suspension of authority to accept or create demand deposits or operate NOW accounts

- Suspension of authority to accept government deposits

- Suspension of authority to invest in allied undertakings

Up to 80% - Suspension of branching privileges

- Suspension of declaration of cash dividends

- Denial of access to BSP rediscounting facilities

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- Suspension of authority to accept or create demand deposits or operate NOW accounts

- Suspension of authority to accept government deposits

- Suspension of authority to invest in allied undertakings

- Suspension of lending/investment activities

More than 80% - Suspension of clearing privileges

- Suspension of granting of bonuses/profit-sharing not covered by existing contracts or By-Laws

- Cease and desist

This Circular shall take effect immediately.

Adopted: 7 Sept. 1998

(SGD.) GABRIEL C. SINGSON
Governor

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